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FISCAL IMPACT STATEMENT

LS 6718

BILL NUMBER: SB 323

NOTE PREPARED: Jan 8, 2008

BILL AMENDED:

SUBJECT: Retirement Benefit Adjustment.

FIRST AUTHOR: Sen. Becker

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☐ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill provides that the pension portion of the monthly benefit payable to a member of the Indiana State Teachers' Retirement Fund (TRF) who retired before January 1, 1981, and has at least 10 years of creditable service may not be less than \$500.

Effective Date: January 1, 2009.

Explanation of State Expenditures: The annual cost to TRF as a result of the increase in benefits paid each year is \$4.5 M in the first year and declines slowly in subsequent years. The ultimate cost of this proposal with the increase in the present value of benefits is an estimated \$25 M and represents the total fiscal impact attributable to the proposed bill.

All members and beneficiaries impacted by this proposal are members of the Pre-1996 Pension Fund. This is a pay-as-you-go fund. The General Assembly appropriates funds from the state General Fund to cover the cost of the pensions in this fund.

A 2% annual cost-of-living adjustment (COLA) has been assumed after the initial increase to \$500 per month. The 2% COLA assumption was approved by the TRF Board of Trustees and is used by the actuaries in the completion of all valuations.

Background Information: All retired members (and their surviving beneficiaries) included in the July 1, 2006, valuation were included in the analysis; 3,888 met the requirements of retiring before January 1, 1981, with at least 10 years of creditable service, and 1,900 of those were reported as receiving less than \$500 per month. An additional 250 were reported as receiving at least \$500 per month, but their beneficiary is

currently scheduled to begin receiving less than \$500 per month upon the member's death.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Teachers' Retirement Fund.

Local Agencies Affected:

Information Sources: Alliance Benefit Group, John Dowell, 317-803-7832.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS

Cost of Living Adjustment: An across-the-board increase (or decrease) in wages or pension benefits according to the rise (or fall) in the cost of living as measured by some index, often the Consumer Price Index (CPI).

Present Value: The present value (sometimes called actuarial present value) of an amount or series of amounts payable or receivable in the future is their current worth after discounting each such amount at an assumed rate of interest and adjusting for the probability of its payment or receipt.